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MONTHLY PROJECTIONS
July 1988

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MOMENTUM RATHER THAN RESOURCE UTILIZATION MAY HAVE CREATED ACCELERATING INFLATION

Increasing inflationary pressures, such as the 4.7% fixed weighted increase in the second-quarter GNP deflator, has been largely ascribed to high levels of resource utilization. To be sure, economic activity in the rubber, paper, metals, and textile industries all are at high levels of utilization. However, overall capacity utilization is well below levels that normally stimulate demand-oriented inflationary pressures. The unemployment rate has fallen to 5.3%, which some economists have indicated is on the verge of creating wage-oriented pressures. However, most evidence of increasing inflation indicate that only a small portion is the result of rising wage pressures. While spurting in April and May, the hourly earnings index declined slightly in June. Since January, the index has increased only at an annual rate of 2.6%.

Other wage-related measures also indicate only very modest increases in inflationary pressures. Second-quarter labor costs increased about a percentage point less rapidly at annual rates than in the first quarter, although much of this difference was the presence of Social Security tax increases early in the year. Negotiated labor contracts averaged less than a 3% increase in the first year of the contract, although some contracts are becoming a little more aggressive in subsequent years.

The other portion of labor costs that could signal cost problems ahead, productivity gains, will be revised upward for 1987 as a result of upward revisions in GNP during that year. Instead of a laggard 0.8% increase in productivity, the new data suggests a gain of closer to 1.5%. Of course, our own preliminary estimates suggest a modest decline in productivity measures during the second quarter, but these quarterly performances should not be viewed with alarm. At this point, productivity does not show the significant decay that normally indicates that quality laborers no longer can be found at current wage rates.

Of course, the drought has added to inflationary pressures, but that has not been the result of either the level or rate of growth of economic activity. Rather, the drought should be viewed as a temporary supply shock whose impact upon the dynamic inflationary process should be limited. Indeed, now that rains have returned, to save most of the soybean crop, it is possible to make a reasonable projection of drought-related price changes. The corn harvest probably will be dramatically impacted, with yields falling to as low as 75 bushels per acre. This leads to only slightly more than 4.5 billion bushels of production. Enough carryover is available to meet all needs, but prices probably will remain near $3 per bushel until possible weather problems next year can be ruled out. Soybean yields probably will be in the 26-27 bushel range, or about 1.7 billion bushels. Because of the absence of substantial carryover, higher prices must materialize. However, soybeans near $9 per bushel should be sufficient to balance demand and supply conditions. This leads to soy meal costs of approximately $260 per ton.

All of these calculations suggest that some price increases will develop next year. In addition, enough stress slaughtering of animals has occurred to significantly fill the meat pipeline in the summer. However, the stress slaughter probably will slow now that many pastures are again greening. The previously anticipated fall slaughter may be slightly diminished if animal feeds stay in the ranges anticipated above. Nevertheless, some shifting of meat production will occur this year at the expense of next year. As a result, meat prices will be stable to slightly declining this summer and autumn and should be rising significantly next year. Our current estimates are that grocery store prices will increase 6.5% next year as compared to a 4.5% gain this year. While this means that food prices as measured by the CPI will rise nearly 6%, direct additions to inflation from the drought are less than 0.5 percentage points.

If the drought and the utilization levels of resources were not responsible for the recent acceleration of inflationary pressures and the surge in industrial material prices, what was? Apparently, with the economy using high levels of resources, a rapid surge in economic activity associated with rapid growth in 1987 led to some bottlenecks that initially created price spurts. Once these bottlenecks were resolved, however, price spurts diminished. Such patterns were obvious in copper and aluminum and probably also developed in industrial chemicals and in latex. This spurt in industrial activity was especially apparent in 1987, where revised data show that economic growth was a full percentage point stronger than originally reported. Although utilization levels remain high, growth rates have slowed. If a spurt rather than the level of activity was responsible for current measures of accelerating inflation, then a slowing in that spurt should lead to moderation of inflationary pressures. In the absence of more supply shocks, inflationary pressures should ease slightly in the second half of 1988.

Of course, dramatic ease should not be anticipated, as current economic growth still is more than the growth of capability. Thus, the slowing of inflationary pressures will not be substantial. Moreover, the Federal Reserve probably appropriately is concerned about the pace of economic growth, although their growth target appears to be slightly anemic at 2.5% per year. Nevertheless, the 4.7% fixed weighted imputed price deflator may be the largest increase in that inflationary measure until a combination of rising oil and meat prices adds to inflationary pressures early in 1989.

GNP growth was less than anticipated in the second quarter, largely as a result of less inventory accumulation than had been anticipated. As business

inventories accelerated their rate of accumulation in April and May, either an acceleration of inventory valuation adjustments or anticipated deceleration in inventories in June must be responsible for this result. Certainly, the industrial production gains in June did not suggest that substantial inventory accumulation was occurring. Although industrial production spurted 0.4%, nearly all the gain was the result of a sharp usage of utilities as a result of hot weather. Excluding utilities, industrial production would have increased only 0.1%.

Of course, GNP slowing as a result of reduced inventory accumulation merely adds to production needs in subsequent quarters. Final sales grew a robust 5.4%, indicating that substantial quantities of inventory investments probably will materialize during the summer. Continued strong GNP growth now appears likely in the second half of the year. The Federal Reserve growth target of 2.5% probably will be breached during the summer months, thereby necessitating further Federal Reserve tightening.

Chairman Greenspan indicated that the Federal Reserve has not changed policy, but he probably meant that the current policy of moderate restraint when economic growth exceeds targeted levels will continue. Most market watchers, unfortunately, thought he was saying that no changes in targeted federal funds rates have been made. When the market discovers its error in interpreting Chairman Greenspan's remarks, interest rates probably will rise further.

Although the most memorable part of the three-year revision was the acceleration of economic growth during 1987, shifts in the composition of expenditures also were noteworthy. Consumption was revised upward by more than household income. As a result, the savings rate was lower in the past two years than originally reported. More nondurable goods were purchased than originally expected. On the other hand, fixed investment was slightly less than originally expected by the end of 1987. Most of the weakness was in producers' durable equipment. However, structures also were overstated slightly. For example, first-quarter durable goods spending was $349 billion rather than the nearly $361 billion originally reported. Housing investment also was overstated slightly. Imports were only marginally overstated, but a substantial underestimate of export activity occurred. After inflationary adjustment, trade deficits were not as severe as originally reported. Finally, government was bigger than anticipated, as both federal and local expenditures initially were understated.

A significant upward revision in wages and salaries led to a significant upward revision in personal income. Nonfarm proprietors' income was originally overstated. This apparently was at the expense of personal interest income, which was initially understated by nearly $13 billion. Transfer payments also were understated by nearly $10 billion. Corporate profitability also was understated, but only by a few billion dollars.

The results of all these data revisions is to intensify the savings-investment imbalance, especially in the household sector. Higher corporate profit estimates lead to higher stock market evaluations, but only by a small amount. Aside from intensifying the savings-investment imbalance, the data revisions really are not generating significant discussion. Nevertheless, the more rapid momentum of economic activity in 1987 probably was a contributor to the high industrial commodity price changes that occurred.

Quarterly Profile of GNP

	1988-1	1988-2	1988-3	1988-4	1989-1	1989-2	1988 Annual	1989 Annual
Real:	3.4	3.1	2.6	1.5	1.6	1.3	3.8	1.6
Price:	1.7	4.1	4.0	4.7	4.6	4.2	3.3	4.4
Nominal:	5.1	7.2	6.7	6.3	6.3	5.5	7.2	6.1

Monthly Statistical Highlights for July 1988

Payroll employment +227,000; index of hours worked +0.2%; household employment +109,000; civilian unemployment rate 5.4%; personal income +0.5%; savings rate 4.5%; personal consumption +0.5%; retail sales +0.2%; auto sales 10.4 million units; housing starts +5.0%; housing permits -3.1%; construction expenditures -0.6%; business inventories +0.5%; orders for durable goods -5.5%; orders for nondefense capital goods -7.8%; industrial production +0.3%; CPI +0.3%; PPI +0.1%; consumption deflator +0.4%; leading indicators -0.4%; currency index +3.3%; equity index -1.4%; real GNP(AR) +2.1%; M1(AR) +11.5%; M2(AR) +4.4%.

Monthly Statistical Highlights for August 1988

Payroll employment +265,000; index of hours worked +0.3%; household employment +294,000; civilian unemployment rate 5.3%; personal income +0.6%; savings rate 4.6%; personal consumption +0.5%; retail sales +0.6%; auto sales 10.6 million units; housing starts +0.7%; housing permits +0.4%; construction expenditures +0.9%; business inventories +0.6%; orders for durable goods -0.4%; orders for nondefense capital goods -1.0%; industrial production +0.3%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators -0.2%; currency index +1.7%; equity index +2.5%; real GNP(AR) +4.3%; M1(AR) +11.4%; M2(AR) +7.1%.

Commentary

NOTE: Because of the three-year data revisions on GNP, several of our indicators have not been revised. Instead, they have been linked using most recent information. A fuller incorporation of the data will occur in our next report.

Employment - An unusually late employment survey may have led to stronger gains in payroll employment than normally would have occurred. Certainly, many teenagers entered the workforce and found jobs, with the household surveys swelling and unemployment falling. Initial claims have increased slightly in early July, suggesting that economic activity once again is slowing following a brief acceleration in June. Thus, the July employment report may not show as much strength as in June. However, a significant decline in government payrolls during June suggests that overall payroll gains still should be reasonably robust, even if hours worked should show only a modest increase.

Good news in the employment report included a significant slowing in hourly earnings, with the index actually falling by 0.1%. Earnings are now 3.2% above previous year levels, down from 3.4% in May.

Personal Income and Outlays - Wage and salary income grew more sharply than anticipated but the largest contributor to strong income growth in June was in property income. Rising interest rates are reflected in sharp increases in personal interest income. As farm income has been drifting lower, personal income gains have been especially impressive. With farm income expected to pick up following disbursement of disaster relief later this year, a few months of rapid gains in personal income are possible.

Disposable income showed stronger gains in June than anticipated, partially as a result of lower tax payments. This reduction in tax payments during an estimation period is surprising. A spurt in tax payments probably will be recorded in July. Of course, delayed refunds may have accounted for the significant dip. Now that interest payments must accompany refunds, a more normal growth in tax liabilities should be anticipated.

The burst in durable goods expenditures was not anticipated in the retail sales report, but appears to be appropriate with respect to auto units sold. Aside from gains in durable goods, the big increase in consumption was in the service sector as a result of significant utility payments. Although hot weather persisted in July, more normal growth in utility payments is expected in that month, followed by a slackening in growth of services expenditures in August if the heat wave diminishes.

A spurt in housing activity probably will cause non-auto durables to perform better in the next few months than originally anticipated. However, weakening in housing activity later in the year should flatten out gains in that area. Auto purchases are expected to remain at relatively healthy levels, although model year-end financing incentives once again are expected to accelerate auto sales. Higher prices for food and gasoline will be reflected in sales of nondurables in the next few months.

Construction - Housing activity rebounded in June, probably as a result of fears of higher mortgages ahead. However, housing permits were much stronger for multi-family units than were starts. This discrepancy suggests significant difficulty in acquiring financing for multiple units. If financing reappears, starts could show a modest burst in the next few months. Nevertheless, rising mortgage rates should put a damper on single-family activity later this year.

Unusually strong expenditures in nonresidential activity should not persist. Apparently, the drought has increased the number of construction days available for large projects. This has tilted expenditures into May, June, and July. However, slower expenditures growth should then be anticipated in the months following. The implicit construction deflator has been fluctuating dramatically in recent months, but is expected to show more orderly and modest gains through the remainder of the year.

Business Activity - All those aircraft orders that had been announced in the financial press finally were discovered by government statistics takers in June. As a result, orders for durable goods surged 8.8%. However, excluding both military and commercial aircraft, orders would have increased only 0.1%. Thus, durable activity should remain at a high but not intensifying level. Many of those aircraft orders will not be worked on until the next decade.

As mentioned above, inventories have been robust in April and May. but preliminary second-quarter GNP estimates suggest that inventory investments slowed in June. Such inventory slowing is not expected to be maintained in the third quarter. However, inventories then could become slightly excessive by the fourth quarter, causing a period of slow growth in economic activity.

Industrial production would have increased only 0.1% except for the increased use of utilities. However, stronger industrial growth is expected in the next few months as inventories are being replenished. The strongest growth probably will be in the business equipment and industrial materials sectors.

Prices - Some pricing discrepancy is beginning to develop between consumer and producers' prices, suggesting a widening of retail margins. This is especially apparent in the food sector. On the other hand, rapid price increases for apparel have been reversed in the last two months. This suggests a shift in seasonal patterns, that will slowly be incorporated in new seasonal adjustments, rather than a substantial intensification of clothing inflation. Apparently, merchandisers are more aggressively increasing prices in the spring and fall and then discounting more aggressively if the merchandise is not quickly accepted by consumers.

Because of stronger growth in non-auto durables, prices of consumer durables are expected to grow more rapidly than previously anticipated. In addition, automobile prices will be up between 3% and 4% in the next model year. A slightly smaller price increase was initially anticipated. Few other significant adjustments were made in our pricing analysis. Most of the drought-induced price changes already were incorporated in our estimates a month ago.

Miscellaneous - Although all the leading indicators are showing positive contributions in June, leading to a surge in that index, sharp gains in orders for plant and equipment appear to be the most significant. Stock prices also are noteworthy. Both of those components will be contributing to a decline in the indicators in July. Initial claims may also contribute weakness. For that reason, the leading indicators could dip again in July following a one-month spurt in June.

Improvement in the merchandise trade balances appears to be the result of inventory liquidations of previously imported goods. Once these liquidations run their course, some increase in the merchandise trade deficit should be anticipated. At that time, the trade index should begin weakening again. We are not convinced that the dollar has fallen sufficiently to preserve the downward trend in trade deficits. When foreign investors also become convinced that further deficit reductions will require further dollar weakness, the dollar is expected to be under renewed downward pressures. This is expected to occur following one or two adverse announcements on merchandise trade deficits.

The upward revision in corporate profitability suggests that higher equity values can be sustained than previously thought. As a result, the equity markets are not currently overvalued. However, if interest rates rise, as expected, and if economic growth slows, also as expected, some weakening in equity values should be anticipated toward the end of this year. A rebound then is projected next year when interest rates begin declining.

Financial Markets

Household savings has been less than anticipated, partially as a result of unanticipated spending on utilities. When the weather improves, savings rates probably also will rise. However, the corporate sector will then need to accumulate inventories, leading to increased borrowings on their part. In addition, fixed investment continues to grow strongly. It is expected that corporate investment will grow more rapidly than corporate cash flow, leading to increasing borrowings in the credit markets.

Following its spurt in tax collections during the second quarter, the government probably will increase its borrowings for the remainder of the year. Thus, the corporate and government sectors will be moving toward higher interest rate pressures while the household sector will be gradually relieving such pressures. Excluding the interests of foreign investors, this combination would lead to gradual increases in interest rates over the next several months.

Foreign investors currently are predisposed to invest in American assets, as interest rate differentials are greater than three percentage points and the dollar is rallying against most other currencies. Indeed, this predisposition should continue until the dollar reverses direction. However, some currency watchers believe that central banks will not permit the dollar to rally above 1.9 German marks. If so, the upward potential for the dollar is limited at this time. While this could erode foreign investor interest in American assets, such declines in foreign investor desires have not yet become apparent. As a result, interest rates probably will show little direction for the remainder of this summer.

Of course, inflationary fears could continue to intensify. However, the drought probably has created more fears than will be realized. Also, if economic momemtum rather than the level of utilization was responsible for intensifying inflation, such inflationary pressures should ease. This suggests that interest rate pressures could actually recede slightly. Offsetting this assessment is the concern that foreign investors will discover that the dollar's strengh is only temporary. They may then lose their desire for American assets, causing weakness in the dollar, increased resolve by the Federal Reserve to maintain dollar values through higher interest rates, and an upward drift in domestic interest rates.

The most likely outcome is further Federal Reserve restraint, leading to higher federal funds targets. This may not be sufficient to attract foreign investors back. As a result, long-term interest rates also should drift upward, at least for a while. By the end of the year, however, slower economic growth and less inflation than had been feared should begin to cause a rebound in long-term interest rates. A return to sluggish growth could than cause the Federal Reserve to reverse direction, leading to declining interest rates again by the spring.

Equity Markets - During the summer, interest rates are expected to be stable while corporate earnings should continue to rise. This permits a burst in equity value, that could actually exceed the modest increases currently projected. However, late in the year corporate earnings are expected to be growing more slowly while interest rates should be rising. Although no dramatic declines in equity values should result from such conditions, a downward drift in the stock market should again occur. Only in the second half of 1989, when interest

rates once again are expected to be trending firmly downward will equity values show any sustained upward move.

Any summer rally should favor the well-known stock issues that are normally accumulated by foreign investors. Because of the potential for an economic downturn in 1989, cyclical stocks should be shunned. Interest-sensitive issues probably could be accumulated at this time, but better prices on those potential earnings will be available later this year.

The dollar's recent strength probably diminishes the attractiveness of export-oriented companies. Indeed, the problem with the equity markets is not a significant amount of overvaluation, but rather the absence of any obvious areas in which to place investments. By the middle of 1989, however, a new administration will have been formed and the philosophy of that administration's policies will be more apparent. If interest rates are trending downward, as also expected, then a substantial increase in equity values could become a possibility as the next decade begins.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	103827	104262	122.4	123.0	114129	114129	5.8	5.8	176.4	176.6
February	104365	104729	123.7	123.9	114409	114409	5.7	5.7	176.5	176.7
March	104661	105020	123.1	123.6	114103	114103	5.6	5.6	176.8	177.0
April	104835	105281	123.7	125.1	114713	114713	5.4	5.4	177.6	178.0
May	105151	105502	124.0	124.4	114635	114195	5.4	5.6	177.5	178.6
June	105467	105848	124.3	125.3	114812	115018	5.4	5.3	177.8	178.5
July	105623	106075*	124.6	125.5*	115093	115127*	5.4	5.4*	178.4	178.9*
August	105807	106340	125.0	125.8	115405	115421	5.2	5.3	179.1	179.3
September	105991	106639	125.4	126.1	115717	115743	5.2	5.2	179.8	179.8
October	106117	106835	125.4	126.3	115843	115961	5.2	5.2	180.2	180.3
November	106266	107022	125.2	126.5	115926	116165	5.1	5.1	180.6	180.8
December	106415	107179	125.3	126.6	115988	116373	5.2	5.1	180.9	181.2
January 1989	106563	107327	125.6	126.7	116124	116553	5.1	5.1	181.5	181.7
February	106528	107542	125.5	126.9	116325	116843	5.1	5.0	182.2	182.4
March	106757	107758	125.5	127.1	116528	117072	5.1	5.0	182.9	182.9
April	106928	107861	125.7	127.2	116645	117302	5.2	5.0	183.5	183.5
May	107038	108058	125.9	127.4	116767	117501	5.2	5.0	184.0	184.1
June	107149	108149	126.0	127.4	116890	117575	5.3	5.1	184.5	184.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3.873		2.293		153.7		3.297		3.143	
February	3.895		2.307		154.5		3.323		3.168	
March	3.924		2.319		157.1		3.341		3.190	
April	3.940	3.996	2.334	2.394	139.6	89.5	3.346	3.352	3.206	3.263
May	3.958	4.014	2.342	2.407	133.5	152.4	3.352	3.434	3.219	3.282
June	3.976	4.042	2.350	2.425	127.3	149.8	3.359	3.463	3.232	3.313
July	3.993	4.064*	2.364	2.435*	125.4	155.4*	3.379	3.484*	3.254	3.329*
August	4.009	4.090	2.379	2.448	123.1	162.2	3.398	3.508	3.275	3.345
September	4.025	4.115	2.395	2.462	122.9	166.4	3.418	3.529	3.295	3.363
October	4.043	4.140	2.403	2.475	125.3	178.3	3.429	3.550	3.304	3.372
November	4.061	4.163	2.406	2.487	128.3	175.0	3.442	3.569	3.314	3.394
December	4.079	4.183	2.410	2.497	131.4	170.2	3.455	3.585	3.324	3.415
January 1989	4.098	4.197	2.425	2.507	146.7	170.1	3.497	3.607	3.350	3.437
February	4.120	4.224	2.440	2.523	147.6	178.0	3.514	3.632	3.366	3.454
March	4.142	4.247	2.454	2.535	148.4	181.6	3.529	3.651	3.381	3.469
April	4.159	4.269	2.464	2.547	140.6	178.2	3.541	3.668	3.400	3.490
May	4.175	4.293	2.475	2.560	134.7	183.5	3.553	3.689	3.418	3.506
June	4.192	4.314	2.485	2.572	129.4	181.5	3.564	3.707	3.435	3.526

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	3045.3		419.7		992.0		1633.6		2513.5	
February	3069.5		428.9		990.0		1650.6		2532.9	
March	3091.3		428.6		999.8		1662.8		2538.1	
April	3104.7	3164.2	425.4	442.3	1006.4	1025.7	1672.9	1696.2	2536.5	2565.9
May	3118.6	3182.7	426.3	445.0	1008.6	1030.3	1683.7	1707.5	2533.4	2569.7
June	3132.5	3213.5	427.2	453.6	1010.9	1034.8	1694.4	1725.2	2530.3	2587.1
July	3152.0	3228.6*	430.6	453.1*	1016.6	1039.2*	1704.8	1736.3*	2539.9	2588.8*
August	3177.2	3244.8	439.4	456.7	1022.3	1043.6	1715.5	1744.5	2558.1	2594.0
September	3192.1	3261.6	440.4	457.8	1025.6	1047.1	1726.1	1756.7	2566.0	2597.1
October	3190.9	3270.2	423.6	449.6	1030.5	1052.3	1736.8	1768.3	2552.7	2593.0
November	3211.6	3291.9	427.3	454.9	1036.6	1059.1	1747.7	1777.9	2552.9	2600.0
December	3231.8	3312.2	431.0	456.7	1042.3	1064.9	1758.5	1790.6	2554.8	2603.2
January 1989	3247.4	3333.8	431.9	461.3	1045.6	1070.2	1769.9	1802.3	2559.0	2608.0
February	3263.0	3350.3	432.7	460.4	1049.3	1077.1	1781.0	1812.8	2565.3	2610.4
March	3277.2	3365.1	432.0	459.9	1053.0	1080.7	1792.2	1824.5	2570.4	2611.3
April	3295.3	3385.0	433.0	463.7	1058.5	1085.1	1803.8	1836.2	2572.4	2617.0
May	3313.1	3400.2	434.1	462.5	1063.1	1089.7	1815.9	1848.0	2572.3	2618.8
June	3329.4	3419.7	433.7	463.8	1067.7	1096.2	1828.0	1859.7	2571.0	2624.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	128.77	128.77	19.75	19.75	10.4	10.4	80.08	80.08	28.94	28.94
February	130.12	130.12	20.19	20.19	11.0	11.0	80.41	80.41	29.52	29.52
March	132.40	132.26	20.54	20.59	10.7	10.7	81.83	81.78	30.04	29.90
April	131.58	131.72	20.53	20.85	10.5	10.5	81.33	81.30	29.72	29.57
May	132.01	132.05	20.79	20.95	10.0	10.3	81.96	81.77	29.26	29.33
June	132.59	132.77	21.01	20.85	10.1	10.6	82.24	82.23	29.34	29.69
July	133.64	133.06*	21.23	20.92*	10.2	10.4*	82.89	82.58*	29.52	29.56*
August	134.91	133.82	21.20	20.96	10.5	10.6	83.35	82.93	30.36	29.93
September	135.53	134.22	20.75	20.87	10.8	10.6	83.62	83.21	31.16	30.14
October	134.04	133.71	20.64	20.93	9.9	9.8	84.02	83.62	29.38	29.16
November	134.88	134.85	20.80	21.04	10.0	10.0	84.52	84.16	29.56	29.65
December	135.78	135.51	21.07	21.01	10.0	10.1	84.98	84.62	29.73	29.88
January 1989	136.16	136.44	20.95	20.97	10.1	10.3	85.25	85.04	29.96	30.43
February	136.56	136.89	20.81	21.06	10.2	10.2	85.56	85.59	30.19	30.24
March	136.78	137.12	20.62	21.15	10.2	10.1	85.86	85.88	30.30	30.09
April	137.05	137.89	20.76	21.23	10.0	10.2	86.31	86.23	29.98	30.43
May	137.64	138.12	20.84	21.20	10.0	10.1	86.68	86.59	30.12	30.33
June	137.38	138.79	20.89	21.28	9.6	10.1	87.06	87.11	29.43	30.40

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	1.382	1.382	1.016	1.016	1.257	1.248	394.5	395.3	345.2	343.9
February	1.519	1.519	1.102	1.102	1.422	1.429	396.0	392.5	345.2	339.3
March	1.554	1.529	1.176	1.172	1.476	1.476	401.8	403.6	349.5	347.6
April	1.561	1.584	1.095	1.093	1.416	1.449	402.7	402.7	349.0	348.2
May	1.568	1.384	1.128	0.996	1.426	1.436	404.1	407.1	349.3	350.2
June	1.553	1.454	1.139	1.098	1.407	1.489	406.3	408.5*	349.9	350.6*
July	1.521	1.526*	1.108	1.105*	1.386	1.443*	408.5	406.1	350.9	347.4
August	1.496	1.536	1.102	1.093	1.372	1.449	410.5	409.9	351.8	349.4
September	1.492	1.488	1.095	1.067	1.389	1.426	412.3	409.9	352.1	348.9
October	1.496	1.469	1.086	1.052	1.406	1.402	411.1	409.7	350.2	347.8
November	1.503	1.457	1.083	1.026	1.389	1.385	409.9	408.5	348.3	345.0
December	1.502	1.438	1.079	1.005	1.401	1.364	408.9	408.2	346.2	344.8
January 1989	1.478	1.434	1.067	0.993	1.375	1.329	410.1	408.3	346.1	344.0
February	1.465	1.436	1.053	0.990	1.364	1.335	411.2	409.1	345.8	343.8
March	1.452	1.427	1.050	0.998	1.348	1.346	412.2	409.9	345.5	343.3
April	1.448	1.437	1.036	1.008	1.326	1.349	411.8	410.4	344.0	342.9
May	1.446	1.471	1.029	1.024	1.329	1.388	411.8	413.3	342.6	344.1
June	1.442	1.476	1.021	1.028	1.322	1.392	412.1	415.1	341.4	344.5

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	127.2	126.3	75.3	73.7	192.0	195.2
February	128.0	125.7	78.1	74.7	189.9	192.1
March	128.1	128.7	82.3	79.3	191.4	195.6
April	128.3	128.3	80.6	79.1	193.8	195.3
May	128.6	134.8	80.0	78.9	195.5	193.4
June	128.8	135.9*	80.3	79.4*	197.2	193.2*
July	128.5	133.7	80.5	80.1	199.5	192.3
August	128.9	132.8	80.9	80.0	200.7	197.1
September	129.2	131.5	81.3	80.6	201.8	197.8
October	129.0	131.7	81.6	81.1	200.5	196.9
November	128.8	132.0	81.9	81.5	199.2	195.0
December	128.9	131.6	82.1	81.8	197.9	194.8
January 1989	129.0	131.8	82.5	82.3	198.6	194.2
February	129.1	132.1	82.9	82.7	199.2	194.3
March	129.2	132.4	83.3	82.5	199.7	195.0
April	129.4	131.8	83.5	83.0	198.9	195.6
May	129.7	131.9	83.8	83.6	198.3	197.8
June	130.0	132.0	84.1	83.9	198.0	199.2

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	336.8	336.8	114.20	114.20	34.79	34.79	30.65	30.65
February	338.4	338.6	114.26	114.32	33.75	33.76	30.71	30.72
March	339.4	339.5	115.31	115.25	32.46	32.48	31.69	31.71
April	340.9	340.9	116.28	117.27	32.90	33.49	30.90	31.07
May	342.8	343.1	117.43	115.10	33.55	31.50	31.26	31.76
June	345.0	344.9*	114.39	125.23	32.16	34.57	31.75	31.98
July	345.9	346.4	114.62	118.29*	32.49	31.86*	32.39	32.07*
August	346.8	347.9	116.21	117.86	33.31	31.55	32.71	31.88
September	347.7	349.4	115.05	117.53	32.75	31.84	33.04	31.95
October	349.8	350.8	114.85	118.14	32.93	32.27	32.83	32.20
November	351.9	352.2	114.37	116.91	32.86	31.63	32.95	31.97
December	354.0	353.8	116.27	115.86	33.14	31.45	32.90	31.86
January 1989	355.8	355.2	116.63	115.95	33.20	31.69	33.14	31.89
February	357.4	357.0	115.08	116.28	32.86	32.28	33.22	32.11
March	359.0	358.6	114.82	116.63	32.53	32.53	32.85	32.28
April	360.8	360.2	115.06	116.42	33.16	32.40	33.14	32.44
May	362.9	361.9	114.43	116.27	31.84	32.51	32.27	32.53
June	365.0	363.5	115.95	116.64	32.14	32.64	32.06	32.65

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	715.0	715.0	8.43	8.43	134.4	134.4	82.5	82.5
February	717.9	717.9	8.50	8.50	134.4	134.4	82.4	82.4
March	720.0	720.1	9.52	9.50	134.7	134.7	82.4	82.4
April	723.5	723.7	8.58	8.47	135.6	135.4	82.7	82.6
May	726.4	728.4	8.50	8.37	135.9	136.1	82.8	82.9
June	729.4	732.0*	8.58	9.07	136.2	136.6	82.8	83.1
July	732.3	735.9	8.46	8.94*	136.5	137.0*	82.9	83.2*
August	734.5	740.1	8.54	8.86	136.8	137.4	82.9	83.3
September	736.7	743.8	8.63	8.97	137.1	137.8	83.0	83.5
October	740.8	747.9	8.60	9.05	137.2	138.1	82.9	83.5
November	745.8	751.3	8.77	9.21	137.0	138.4	82.7	83.6
December	750.6	754.9	8.95	9.20	137.0	138.5	82.6	83.5
January 1989	753.4	757.9	9.00	9.17	136.9	138.7	82.4	83.4
February	756.4	760.8	9.01	9.15	137.0	139.0	82.3	83.4
March	759.3	765.2	9.00	9.11	137.0	139.3	82.2	83.5
April	762.9	768.6	9.13	9.07	135.5	139.4	81.2	83.4
May	766.3	772.2	9.25	9.14	135.0	139.7	80.8	83.4
June	769.7	775.9	9.38	9.23	134.5	140.0	80.3	83.4

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	115.9	115.9	106.1	106.1	104.3	104.4	119.1	119.3
February	116.1	116.1	105.9	105.9	104.4	104.4	119.4	119.5
March	116.7	116.7	106.5	106.5	104.7	104.7	119.6	119.5
April	117.2	117.2	107.0	107.0	105.6	105.6	120.1	120.1
May	117.8	117.5	107.5	107.4	105.9	106.1	120.7	120.6
June	118.3	117.9	107.9	107.8	105.9	106.5	121.2	120.9
July	118.7	118.3*	108.2	107.9*	106.8	106.2*	121.5	121.4
August	119.1	118.7	108.4	108.2	107.5	106.7	121.8	121.8
September	119.5	119.1	108.6	108.5	106.4	105.2	122.1	122.2
October	120.0	119.6	108.9	108.9	107.8	107.4	122.5	122.7
November	120.5	120.1	109.3	109.3	108.0	107.8	122.8	123.2
December	121.0	120.7	109.8	109.4	108.1	108.3	123.2	123.7
January 1989	121.4	121.3	110.2	109.9	108.6	108.8	123.7	124.2
February	121.8	121.8	110.5	110.3	109.1	109.5	124.1	124.6
March	122.2	122.3	110.8	110.7	109.5	110.1	124.5	125.1
April	122.8	122.8	111.4	111.1	110.1	110.5	125.0	125.5
May	123.4	123.4	112.0	111.7	110.8	110.9	125.5	125.9
June	124.0	124.0	112.5	112.2	111.5	111.5	125.9	126.3

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	121.1		107.4		113.4		130.7		114.3	114.9
February	121.2		107.4		113.3		131.1		114.7	115.7
March	121.8		107.5		114.2		131.6		115.0	116.1
April	122.4	123.3	107.9	109.3	115.2	115.5	132.2	133.3	115.4	115.6
May	123.1	123.9	108.1	109.4	115.7	116.1	132.8	133.8	115.7	116.2
June	123.8	124.2	108.3	109.9	116.1	116.4	133.4	134.3	116.1	116.5*
July	124.1	124.7*	108.8	110.2*	116.3	116.7*	133.9	134.9*	116.4	116.9
August	124.2	125.1	109.2	110.4	116.5	117.0	134.4	135.4	116.7	117.3
September	124.4	125.6	109.0	110.7	116.6	117.4	135.0	136.0	117.1	117.5
October	125.0	126.1	109.3	111.0	117.3	117.9	135.5	136.5	117.4	117.8
November	125.8	126.6	109.2	111.3	118.1	118.4	136.0	137.1	117.7	118.1
December	126.5	127.2	109.4	111.7	118.8	119.0	136.6	137.8	118.1	118.4
January 1989	126.9	127.8	109.6	112.0	119.2	119.6	137.2	138.5	118.5	118.7
February	127.2	128.3	109.9	112.2	119.5	120.1	137.7	139.1	118.9	119.0
March	127.5	128.9	110.2	112.4	119.9	120.6	138.3	139.7	119.3	119.4
April	128.1	129.3	110.4	112.5	120.6	121.1	138.9	140.3	119.7	119.7
May	128.8	129.8	110.6	112.7	121.0	121.5	139.5	140.9	120.1	120.1
June	129.5	130.3	110.9	113.0	121.4	121.9	140.1	141.5	120.5	120.5

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	-12.44	-12.44	188.9	190.0	4638	4708	3894	3946	-17.8	-17.8
February	-13.82	-13.82	191.8	191.5	4660	4725	3903	3954	-16.5	-17.4
March	-13.14	-9.75	193.3	191.8	4685	4743	3917	3969	-16.4	-16.9
April	-13.06	-10.27	194.5	192.8	4710	4778	3922	3979	-19.6	-18.3
May	-12.77	-10.93	194.2	192.6	4740	4806	3927	3985	-22.3	-19.6
June	-12.49	-10.10*	194.5	194.9	4769	4830	3935	3995	-22.6	-
July	-14.23	-10.76	194.8	194.2	4793	4859	3945	4002	-23.4	-
August	-14.02	-11.23	194.5	193.9	4814	4891	3952	4016	-22.8	-
September	-12.82	-11.48	194.1	194.4	4835	4910	3960	4018	-22.1	-
October	-13.34	-11.06	194.6	194.2	4852	4935	3961	4022	-21.4	-
November	-12.95	-10.92	195.3	194.0	4870	4960	3966	4026	-20.1	-
December	-12.56	-10.86	195.6	194.7	4887	4987	3967	4032	-18.8	-
January 1989	-12.65	-10.95	195.4	195.2	4909	5015	3968	4038	-18.5	-
February	-12.32	-10.76	195.3	195.1	4936	5038	3977	4043	-19.0	-
March	-11.97	-10.43	195.7	195.0	4963	5061	3986	4046	-18.4	-
April	-12.17	-9.85	195.0	195.2	4982	5083	3986	4050	-23.9	-
May	-11.98	-9.89	194.6	195.5	5000	5105	3984	4055	-29.6	-
June	-11.79	-9.64	194.2	195.6	5018	5130	3986	4062	-28.7	-

	Trade Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.
January 1988	89.18	89.18	168.3	170.4	8.83	8.83	140.55	140.55
February	91.09	91.09	171.5	174.2	8.43	8.43	145.13	145.13
March	89.73	89.73	172.6	176.2	8.63	8.63	149.88	149.88
April	88.95	88.95	169.3	181.4	8.95	8.95	148.46	148.46
May	89.43	89.74	168.0	180.9	9.23	9.23	147.79	144.99
June	91.02	92.58	168.8	182.5*	9.16	9.00	149.76	152.72
July	90.14	95.64*	168.3		9.37	9.23	152.45	150.65*
August	89.51	97.24	168.0		9.49	9.35	155.93	154.43
September	88.25	95.63	168.3		9.43	9.26	154.40	153.67
October	87.43	94.18	167.8		9.65	9.47	148.26	151.26
November	86.84	91.22	167.5		9.86	9.88	147.51	147.43
December	86.13	89.46	167.2		10.04	10.03	146.78	145.56
January 1989	86.42	90.17	169.4		10.02	10.12	144.23	142.56
February	85.36	89.43	169.8		9.82	10.21	146.85	145.84
March	84.28	87.62	167.8		9.76	9.85	142.78	149.53
April	84.39	87.55	163.4		9.54	9.81	136.43	145.27
May	85.53	87.12	159.7		9.47	9.65	139.75	146.63
June	84.48	87.43	156.0		9.45	9.60	140.58	146.35

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	271.3	271.3	758.9	758.9	2924.9	2925.0	6.83	6.83	6.25	6.25
February	272.0	272.1	759.6	759.6	2946.1	2946.0	6.58	6.58	5.96	5.96
March	272.5	272.8	763.1	763.1	2967.7	2967.5	6.58	6.58	5.91	5.91
April	275.2	275.8	770.2	770.2	2992.3	2991.9	6.87	6.87	6.21	6.21
May	278.0	276.7	771.3	770.1	3012.6	3003.7	6.98	7.09	6.28	6.56
June	280.8	277.8	772.5	776.4	3032.8	3018.1	7.09	7.51	6.35	6.71
July	282.3	280.8*	778.9	783.5*	3050.6	3028.9*	7.10	7.64	6.39	7.05
August	283.6	282.5	785.0	790.6	3069.7	3046.3	7.05	7.83	6.35	7.23
September	285.0	283.9	791.2	793.5	3088.8	3063.5	7.11	8.05	6.40	7.35
October	286.8	285.1	793.7	795.4	3100.2	3080.1	7.20	8.26	6.56	7.38
November	288.2	286.9	794.3	800.5	3111.8	3099.8	7.43	8.49	6.75	7.52
December	289.6	288.4	795.1	803.5	3123.4	3116.4	7.45	8.56	6.79	7.47
January 1989	291.3	290.1	803.6	809.1	3142.6	3136.1	7.26	8.53	6.53	7.40
February	292.6	291.7	811.6	815.3	3159.7	3155.1	7.15	8.45	6.45	7.21
March	294.0	293.3	819.5	820.7	3176.3	3175.8	7.08	8.31	6.41	7.15
April	295.7	295.8	824.6	828.2	3191.5	3200.8	7.05	8.26	6.25	7.09
May	296.9	296.9	829.2	832.8	3209.7	3218.6	6.94	8.15	6.19	7.11
June	298.1	298.3	833.9	838.2	3227.8	3239.5	6.83	8.07	6.13	6.95

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1988	9.88	9.88	7.69	7.69	6.87	6.87	6.92	6.92	8.75	8.75
February	9.40	9.40	7.49	7.49	6.58	6.58	6.60	6.60	8.51	8.51
March	9.39	9.39	7.74	7.74	6.62	6.62	6.63	6.63	8.50	8.50
April	9.67	9.67	7.81	7.81	6.86	6.86	6.92	6.92	8.50	8.50
May	9.78	9.90	7.90	7.91	7.03	7.19	7.09	7.24	8.89	8.84
June	9.89	9.86	7.95	7.78	7.15	7.49	7.22	7.51	9.00	9.00
July	10.05	10.02	8.09	7.77	7.22	7.76*	7.29	7.86	9.00	9.42
August	10.08	10.15	8.11	7.89	7.16	7.96	7.23	8.05	9.00	9.50
September	10.12	10.07	8.16	7.85	7.20	8.09	7.28	8.21	9.00	9.76
October	10.20	10.28	8.23	7.97	7.27	8.15	7.35	8.26	9.00	10.00
November	10.26	10.56	8.30	8.26	7.50	8.23	7.62	8.30	9.36	10.00
December	10.32	10.74	8.36	8.49	7.43	8.42	7.51	8.51	9.50	10.00
January 1989	10.20	10.85	8.31	8.53	7.18	8.50	7.26	8.59	9.50	10.23
February	10.05	10.90	8.09	8.65	7.10	8.46	7.17	8.55	9.50	10.29
March	9.88	10.73	7.90	8.50	7.02	8.24	7.11	8.37	9.50	10.00
April	9.93	10.65	7.94	8.46	6.96	8.17	6.99	8.28	9.28	10.00
May	9.86	10.47	7.87	8.39	6.93	8.11	6.98	8.23	9.25	10.00
June	9.79	10.40	7.78	8.30	6.78	8.05	6.87	8.16	9.25	10.00

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